

Hearing Date and Time: April 13, 2011 at 10:00 a.m. (Prevailing Eastern Time)

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UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK

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In Re:	:	Chapter 11 Case No.
	:	
LEHMAN BROTHERS HOLDINGS INC., <i>et</i>	:	08-13555 (JMP)
<i>al.</i> ,	:	
	:	(Jointly Administered)
Debtors.	:	
	:	
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**RESPONSE OF THE JOINT ADMINISTRATORS OF THE UK
ADMINISTRATION COMPANIES TO THE MOTION OF THE AD HOC
GROUP OF LEHMAN BROTHERS CREDITORS FOR ENTRY OF (I) AN
ORDER SCHEDULING A DISCLOSURE STATEMENT HEARING AND
APPROVING THE FORM AND MANNER OF NOTICE THEREOF AND (II) AN
ORDER APPROVING THE DISCLOSURE STATEMENT FOR THE JOINT
SUBSTANTIVELY CONSOLIDATING CHAPTER 11 PLAN FOR LEHMAN
BROTHERS HOLDINGS INC. AND CERTAIN OF ITS AFFILIATED DEBTORS**

TO: THE HONORABLE JAMES M. PECK
UNITED STATES BANKRUPTCY JUDGE:

Lehman Brothers International (Europe) (in administration) ("LBIE"), Lehman Brothers Limited, Lehman Brothers Holdings PLC, LB UK Re Holdings Limited, Storm Funding Limited, Mable Commercial Funding Limited, Lehman Brothers Europe Limited, Lehman Brothers UK Holdings Ltd, LB UK Financing Ltd, LB SF No. 1, Cherry Tree Mortgages Limited, Lehman Brothers Lease and Financing (No. 1) Limited, Zestdew Limited, Monaco NPL (No. 1) Limited, Lehman Commercial Mortgage Conduit Limited, LB RE Financing No. 3 Limited, Lehman Brothers (PTG) Limited, Eldon Street Holdings Limited, LB Holdings Intermediate 2 Limited, and Thayer Properties Limited (each in administration and together with LBIE, the "UK Administration Companies"), acting by and through their Joint Administrators¹ and their undersigned counsel, submit this response ("Response") to the Motion, dated March 29, 2011 [Docket No. 15431] (the "Motion"),² of the Ad Hoc Group of Lehman Brothers Creditors (the "Ad Hoc Group") for Entry of (i) an Order Scheduling a Disclosure Statement Hearing and Approving the Form and Manner of Notice Thereof and (ii) an Order Approving the Disclosure Statement for the Joint Substantively Consolidating Chapter 11 Plan for Lehman Brothers Holdings Inc. and Certain of Its Affiliated Debtors Other Than Merit, LLC, LB Somerset LLC and LB Preferred Somerset LLC (the "AHG Disclosure Statement").

¹ At various times between September 15, 2008 and July 20, 2010, the UK Administration Companies entered English administration proceedings pursuant to the English Insolvency Act of 1986. By orders of the English High Court of Justice, Anthony Victor Lomas, Steven Anthony Pearson, Dan Yoram Schwarzmann, Michael John Andrew Jervis, and Derek Anthony Howell were appointed as the Joint Administrators of the UK Administration Companies.

² Capitalized terms not defined herein have the meaning ascribed to them in the Motion.

BACKGROUND

1. On March 29, 2011 the Ad Hoc Group filed the Motion, seeking entry of an order, inter alia, scheduling a hearing for June 28, 2011 to consider approval of the AHG Disclosure Statement concurrently with the Debtors' proposed disclosure statement, dated January 25, 2011 [Docket No. 14151] (the "Debtors' Disclosure Statement"), and setting the time for any objections and responses to the AHG Disclosure Statement, and any replies thereto, on the same schedule as briefing for the Debtors' Disclosure Statement.

2. On April 6, 2011 certain operating company creditors (the "Operating Company Creditors") filed a Response of the Operating Company Creditors to the Motion of the Ad Hoc Group of Lehman Brothers Creditors Seeking Among Other Things, An Order Scheduling a Disclosure Statement Hearing and Approving the Form and Manner of Notice Thereof (the "Op Co Response"), inter alia, supporting the relief requested in the Motion as it relates to scheduling a hearing to consider approval of any disclosure statement relating to any alternative plan concurrently with the hearing on the Debtors' Disclosure Statement.

3. On April 8, 2011 the Debtors filed an Opposition and Objection to Motion of the Ad Hoc Group of Lehman Brothers Creditors Dated March 29, 2011 (the "Debtors' Objection"). The Debtors urge the Court to exercise its discretion to preclude creditors from considering any alternative to the First Amended Joint Chapter 11 Plan of Lehman Brothers Holdings Inc. and its Affiliated Debtors, dated January 25, 201 [Docket No. 14150] (the "Debtors' Plan"), unless and until the Debtors' Plan fails.

4. Subsequently, on April 8, 2011 the Official Committee of Unsecured Creditors (the “Official Committee”), filed a Response of the Official Committee of Unsecured Creditors to Motion of the Ad Hoc Group of Lehman Brothers Creditors for Entry of (I) an Order Scheduling a Disclosure Statement Hearing and Approving the Form and Manner of Notice Thereof and (II) an Order Approving the Disclosure Statement for the Joint Substantively Consolidating Chapter 11 Plan for Lehman Brothers Holdings Inc. and Certain of Its Affiliated Debtors (the “Committee’s Response”). The Official Committee supports concurrent consideration of the AHG Disclosure Statement (and any other disclosure statements filed and served at least twenty-eight (28) days prior to the deadline for objections to the Debtors Disclosure Statement) and the Debtors’ Disclosure Statement. The Official Committee notes that “the Debtors’ exclusive periods to file a plan and solicit acceptances thereof have expired, and . . . there is ample time for proper notice of the June 28, 2011 hearing.” (Committee’s Response at 2) The Official Committee therefore supports consideration of alternate disclosure statements concurrently with the Debtors’ Disclosure Statement, and it argues that any request to sequence the solicitation process with respect to such disclosure statements is premature. (Committee’s Response at 2, 3)

RESPONSE

5. While styled an “opposition and objection,” the Debtors’ Objection, filed on only three business days’ notice, is a request by the Debtors for sweeping relief that will substantially affect the rights and interests of the UK Administration Companies and the Debtors’ other creditors. The Debtors urge the Court to preclude creditors from considering *any* plan other than the Debtors’ Plan unless and until the Debtors’ Plan fails.

As set forth below, the relief requested by the Debtors is premature (it is neither necessary nor appropriate to resolve the Ad Hoc Motion), and the Debtors should not, in any event, be permitted to raise the request in a manner that impairs the creditors' due process rights by including it in a response to the Motion a mere three business days prior to the hearing.

6. As recognized by the Official Committee, the Debtors' argument that consideration of *all* plans should be deferred until after theirs is premature, as it is based on a value judgment of the inadequacy of the Ad Hoc Plan. The Debtors argue:

The Ad Hoc Plan is not representative of the interests of creditors or the Debtors. Rather it is an attempt to apply leverage with the objective of materially increasing recoveries to the Ad Hoc Group's members. In such circumstances, it is prudent and proper to sequence the processing of proposed plans and grant primacy to the Debtors and best serve the interests of all stakeholders and parties in interest.

(Debtors' Objection at 7). The relief the Debtors seek, however, is not limited to the Ad Hoc Group or its proposed plan. Rather, the Debtors seek to sequence consideration of *any* proposed disclosure statements and plans to enable the Debtors to proceed first. (See Debtors' Objection at 9)

7. Additional alternative plans and disclosure statements may be filed between now and the May 27, 2011 deadline for responses and objections to the Debtors' Disclosure Statement. Plans that have been or may be filed may later be amended or withdrawn. Parties may reach settlements which may affect decisions on whether or not to file and/or support alternative plans. In short, the facts and circumstances that underpin the Debtors' request are extremely fluid and will almost surely change substantially before any issues of sequencing ever need to be resolved. The UK

Administration Companies thus agree with the Official Committee that alternative disclosure statements should be considered concurrently with the Debtors' Disclosure Statement. (Committee Response at 2-3) The UK Administration Companies further agree with the Official Committee that the issue of sequencing the solicitation process with respect to competing disclosure statements is not currently ripe and should be raised (if at all) in connection with the June 28 disclosure statement hearing (or such date thereafter as may be appropriate). (Committee's Response at 3)

8. The UK Administration Companies accordingly support the Ad Hoc Motion, the Op Co Response, and the Committee' Response to the extent they seek entry of an order or otherwise ask the Court to allow a hearing on any disclosure statement relating to a plan filed by any party in interest filed at least twenty-eight (28) days prior to the deadline for objections to the Debtors' Disclosure Statement to be heard on June 28, 2011 (or a later date in the event that the hearing on the Debtors' Disclosure Statement is adjourned to such later date).

CONCLUSION

WHEREFORE, the UK Administration Companies respectfully request that the Court (i) refuse the Debtors' request to sequence consideration of proposed disclosure statements and plans to enable the Debtors to proceed first, (ii) permit the hearing on the AHG Disclosure Statement (and any other disclosure statements filed and served at least twenty-eight (28) days prior to the deadline for objections to the Debtors' Disclosure Statement) to proceed concurrently with the hearing on the Debtors' Disclosure Statement, and (iii) grant such other and further relief as is just and proper.

Dated: New York, New York
April 11, 2011

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